

**SUMMARY OF MAJOR CHANGES TO CHAPTER 49
DOD 7000.14-R, VOLUME 7B
MILITARY PAY POLICY AND PROCEDURES FOR RETIRED PAY**

New and revised instructions are indicated by a ★ placed immediately before the new or revised section, paragraph, subparagraph, decision logic table, etc.

Page	Paragraph	Explanation of Change/Revision	Effective Date
49-5	Table 49-1	Reflects December 1996 Cost-of-Living Adjustment and clarifies Table 49-1 for the user by adding a note.	Feb 27, 1998
49-5	Table 49-1	Reflects December 1997 Cost-of-Living Adjustment.	Dec 1, 1997
49-5	Table 49-1	Reflects December 1998 Cost-of-Living Adjustment.	Dec 1, 1998

CHAPTER 49**SURVIVOR BENEFIT PLAN (SBP) - COST-OF-LIVING ADJUSTMENT****4901 BASE AMOUNTS**

All SBP base amounts are increased by cost-of-living adjustments. The adjustment to the base amount is made at the same time and by the same total percentage that retired or retainer pay is increased. If a member before retirement elects a base amount that is less than full gross pay, the elected base amount is established as the initial base amount regardless of the cost-of-living adjustment that apply to the initial computation of retired pay, excluding Reserve Component Survivor Benefit Plan (RCSBP) elections effective July 1, 1986.

4902 THRESHOLD AND PREMIUMS FOR COVERAGE

490201. Before March 1, 1986, initial SBP cost was computed on a standard formula of 2.5 percent of the first \$300 of the base amount and 10 percent of the base amount in excess of \$300. When retired pay increased by a cost-of-living adjustment under Title 10, United States Code (U.S.C.), section 1401a (reference (c)), the SBP premium was recomputed under the standard cost formula. Effective December 1, 1980, and beginning with the March 1981 cost-of-living adjustment, the percentage increase applies directly to the premium.

490202. Beginning March 1, 1986, members who elect SBP and have retired pay computed on active duty basic pay rates in effect October 1, 1985, or later, will have initial SBP premium computed using the standard formula described in paragraph 490201, above, except that the \$300 threshold amount is indexed by active duty basic pay rates effective October 1, 1985, or later. For example: A member retires on May 1, 1986. Active duty basic pay rates increased by 3 percent effective October 1, 1985. The initial SBP premium is computed on 2.5 percent of the first \$309 (\$300 threshold x 1.03 increase October 1985), plus 10 percent of the base amount in excess of \$309. If the member's initial computation of retired pay includes a cost-of-living adjustment effective October 1, 1985, or later, the threshold amount will be adjusted by the same cost-of-living adjustment percentage. After retirement, cost increases on cost-of-living adjustments as in paragraph 490201, above. See Table 49-1 for SBP threshold amounts.

490203. On March 1, 1990, the formula for spouse and former spouse coverage changed to a flat-rate reduction of 6.5 percent of the base amount. An individual who entered a Uniformed Service before March 1, 1990, or a member who is entitled to retired pay under Title 10, United States Code, chapter 61 (disability) or chapter 1223 (non-Regular service retirement) (reference (c)) is entitled to use whichever formula is more favorable to the member.

490204. The Supplemental Survivor Benefit Plan (SSBP) premium is a percentage of the base amount. SSBP premiums increase in the same manner as SBP premiums. The member elects SSBP coverage in increments of 5, 10, 15, or 20 percent, and the SSBP premium is computed by multiplying the SSBP premium factor (factor rates are for each 5 percent of SSBP coverage)

based on member's age at election by 1, 2, 3, or 4, respectively. The SSBP premium rates are shown on Table 45-5.

490205. Members who elect spouse or former spouse coverage, or who increase the base amount of spouse or former spouse coverage during the open enrollment period April 1, 1992, through March 31, 1993, are subject to a premium addition as shown on Table 45-6. The additional premium is based on the number of years member had been retired. The premium addition does not apply to any member making an open season election who currently is paying RSFPP premiums for spouse coverage or who is electing SBP coverage for spouse and previously participated in SBP but later withdrew from participation under the provision for totally disabled members.

4903 ANNUITIES

490301. Normally, SBP and SSBP annuities increase under 10 U.S.C. 1401a (reference (c)) at the same time and by the same percentage that retired pay increases by cost-of-living adjustment. EXCEPTION: When the payment of increased retired pay due to a cost-of-living adjustment is delayed by law, the increased annuity due to a cost-of-living adjustment is not delayed.

A. The cost-of-living adjustment applies to the monthly gross annuity amount (that is, before any reductions such as DIC).

B. Annuities that initially were effective on the same day as the cost-of-living adjustment before December 1, 1980 were not entitled to the adjustment as the law required that an annuity be payable on the day before the effective date of the adjustment. Effective December 1, 1980, annuities were recomputed to include the previously denied cost-of-living adjustment; however, no retroactive payment was made for the period before December 1, 1980.

C. In April 1983, costs that normally would have increased by the full cost-of-living adjustment were increased by 3.3 percent (one-half of an assumed cost-of-living adjustment) for members under age 62 effective March 1, 1983. Costs increased by 3.9 percent for members age 62 or older on March 1, 1983, or any age if retired for disability. All base amounts for computing SBP annuity increased by 3.9 percent. See paragraph 080454 of this volume.

490302. See paragraph 510202 of this volume regarding cost-of-living adjustments for Minimum Income Widow annuities.

SURVIVOR BENEFIT PLAN THRESHOLD AMOUNT			
R U L E	A	B	C
	If retired pay is based on active duty rates effective	and increased by cost-of-living adjustment (See Note)	then the SBP threshold is
1	Before October 1, 1985		\$300.00
2	October 1, 1985 - 3 %		309.00
3		December 1, 1986- Pre-August 1986 Member 1.3% Post-August 1986 Member 0%	313.02 309.00
4	January 1, 1987 - 3%		318.00
5		December 1, 1987: Pre-August 1986 Member 3.7% Post-August 1986 Member: if retired January-March 1987 3.7% if retired April-June 1987 2.5% if retired July-September 1987 1.2% if retired October-December 1987 0%	329.77 329.77 325.95 321.82 318.00
6	January 1, 1988 - 2%		324.00
7		December 1, 1988: Pre-August 1986 Member 3.2% Post-August 1986 Member: if retired January-March 1988 2.4% if retired April-June 1988 2.1% if retired July-September 1988 1.1% if retired October-December 1988 0%	334.37 331.78 330.80 327.56 324.00
8	January 1, 1989 - 4.1%		337.00
9		December 1, 1989: Pre-August 1986 Member 3.6% Post-August 1986 Member: if retired January-March 1989 2.9% if retired April-June 1989 2.1% if retired July-September 1989 .5% if retired October-December 1989 0%	349.13 346.77 344.08 338.69 337.00
10	January 1, 1990 - 3.6%		349.00
11		December 1, 1990: Pre-August 1986 Member 4.4% Post-August 1986 Member: if retired January-March 1990 3.7% if retired April-June 1990 2.2% if retired July-September 1990 1.5% if retired October-December 1990 0%	364.36 361.91 356.68 354.24 349.00

Table 49-1. Survivor Benefit Plan Threshold Amount

	A	B	C
R U L E	If retired pay is based on active duty rates effective	and increased by cost-of-living adjustment (See Note)	then the SBP threshold is
12	January 1, 1991 - 4.1%		\$363.00
13		December 1, 1991: Pre-August 1986 Member 2.0% Post-August 1986 Member: if retired January-March 1991 1.2% if retired April-June 1991 .9% if retired July-September 1991. 5% if retired October-December 1991 0%	370.26 367.36 366.27 364.82 363.00
14	January 1, 1992 - 4.2%		378.00
15		December 1, 1992: Pre-August 1986 Member 2.3% Post-August 1986 Member: if retired January-March 1992 1.5% if retired April-June 1992 1.2% if retired July-September 1992 .5% if retired October-December 1992 0%	386.69 383.67 382.54 379.89 378.00
16	January 1, 1993 - 3.7%		392.00
17		December 1, 1993: Pre-August 1986 Member 1.9% Post-August 1986 Member: if retired January-March 1993 1.2% if retired April-June 1993 .7% if retired July-September 1993 .2% if retired October-December 1993 0%	399.45 396.70 394.74 392.78 392.00
18	January 1, 1994 - 2.2%		401.00
19		December 1, 1994: Pre-August 1986 Member 2.2% Post-August 1986 Member: if retired January-March 1994 1.4% if retired April-June 1994 1.2% if retired July-September 1994 .7% if retired October-December 1994 0%	409.82 406.61 405.81 403.81 401.00
20	January 1, 1995 - 2.6%		411.00
21		December 1, 1995: Pre-August 1986 Member 2.0% Post-August 1986 Member: if retired January-March 1995 1.3% if retired April-June 1995 .8% if retired July-September 1995 .2% if retired October-December 1995 0%	419.22 416.34 414.29 411.82 411.00

Table 49-1. Survivor Benefit Plan Threshold Amount (Continued)

R U L E	A	B	C
	If retired pay is based on active duty rates effective	and increased by cost-of-living adjustment (See Note)	then the SBP threshold is
22	January 1, 1996 - 2.4%		421.00
★23		December 1, 1996: Pre-September 8, 1980 Member: 2.5% Pre-August 1986 Member: Retired January-March 1996 2.5% Retired April-June 1996 1.5% Retired July-September 1996 .5% Retired October-December 1996 0% Post-August 1986 Member: Retired January-March 1996 1.7% Retired April-June 1996 1.0% Retired July-September 1996 .2% Retired October-December 1996 0%	431.53 431.53 427.32 423.11 421.00 428.16 425.21 421.84 421.00
★24	January 1, 1997 - 3.0%		434.00
★25		December 1, 1997: Pre-September 8, 1980 Member: 1.3% Pre-August 1986 Member: Retired January-March 1997 1.3% Retired April-June 1997 .8% Retired July-September 1997 .4% Retired October-December 1997 0% Post-August 1986 Member: Retired January-March 1997 .6% Retired April-June 1997 .3% Retired July-September 1997 .1% Retired October-December 1997 0%	439.64 439.64 437.47 435.74 434.00 436.60 435.30 434.43 434.00
★26	January 1, 1998 - 2.8%		446.00
★27		December 1, 1998: Pre-September 8, 1980 Member: 1.0% Pre-August 1986 Member: Retired January-March 1998 1.0% Retired April-June 1998 .9% Retired July-September 1998 .4% Retired October-December 1998 0% Post-August 1986 Member: Retired January-March 1998 .3% Retired April-June 1998 .4% Retired July-September 1998 .1% Retired October-December 1998 0%	450.46 450.46 450.01 447.78 446.00 447.34 447.78 446.45 446.00
★28	January 1, 1999 - 3.6%		462.00

★NOTE:

The Pre-September 8, 1980 member is a member who first entered a Uniformed Service before September 8, 1980 and that member is entitled to the retired pay base as prescribed by 10 U.S.C. 1406 using a single basic pay rate. The Pre-August 1986 member is a member who first entered a Uniformed Service on or after September 8, 1980 but before August 1, 1986, and that member is entitled to the retired pay base as prescribed by 10 U.S.C. 407 using a high 36-month average. The Post-August 1986 member is a member who first entered a Uniformed Service on or after August 1, 1986 and that member is entitled to the retired pay base as prescribed by 10 U.S.C. 1407 using a high 36-month average.

★Table 49-1. Survivor Benefit Plan Threshold Amount (Continued)

Chapter 49-Survivor Benefit Plan - Cost-of-Living Adjustment

4902-Threshold and Premiums for Coverage

4902	10 U.S.C. 1452(a), (h) Public Law 101-189, November 29, 1989
490204	10 U.S.C. 1460(b), (d)
490205	Public Law 102-190, December 5, 1991

4903-Annuities

4903	10 U.S.C. 1451(g) OASD Memorandum, February 28, 1983 10 U.S.C. 1457(d) 10 U.S.C. 1452(h)
490301	Public Law 96-402, October 9, 1980
Table 49-1	OASD/FM&P (MM&PP) Memo, January 3, 1986; December 31, 1986; February 2, 1988 & OASD/Chief Actuary Memo, June 2, 1987